

State of Arizona
House of Representatives
Fifty-second Legislature
Second Regular Session
2016

CHAPTER 30
HOUSE BILL 2448

AN ACT

AMENDING SECTIONS 6-502, 9-481, 32-721, 41-725, 41-1511, 41-1512, 43-1507 AND 43-1605, ARIZONA REVISED STATUTES; RELATING TO ACCOUNTANTS.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Section 6-502, Arizona Revised Statutes, is amended to
3 read:

4 6-502. Reports and examinations

5 A. The superintendent shall examine or cause to be examined each
6 credit union at periodic intervals as provided by section 6-122. The
7 superintendent shall forward a report of the examination to the board of
8 directors of the credit union examined within thirty days after completion of
9 the report. Within thirty days after the receipt of the report the directors
10 shall meet to consider matters contained in the report.

11 B. In lieu of the examination required by subsection A of this
12 section, the superintendent may accept an examination or audit report of the
13 condition of a credit union made by the national credit union administration
14 or by a certified public accountant WHO IS licensed in this state OR WHO HAS
15 A LIMITED RECIPROCITY PRIVILEGE PURSUANT TO SECTION 32-725 or other qualified
16 person or organization approved by the superintendent. The credit union
17 shall bear the cost of any such examination or audit. A certified public
18 accountant or other qualified person or organization making an audit to be
19 submitted in lieu of an examination by the superintendent shall obtain prior
20 approval from the superintendent before conducting such an audit. In
21 approving such an audit the superintendent may prescribe minimum requirements
22 for the audit, including the date by which the audit must be completed and a
23 copy filed with the superintendent.

24 C. Within thirty days after the end of each calendar quarter a credit
25 union shall report to the superintendent, on forms supplied by the
26 superintendent for that purpose, its financial condition and the results of
27 its operation for ~~such~~ THE quarter.

28 D. Unless excused for cause before or after the due date, a credit
29 union ~~which~~ THAT fails to file a report when due shall pay the department, as
30 assessed, up to one hundred dollars for each day of delinquency.

31 Sec. 2. Section 9-481, Arizona Revised Statutes, is amended to read:

32 9-481. Audits of cities and towns; posting; budget

33 A. The governing body of each incorporated city or town shall cause an
34 audit to be made by a certified public accountant or public accountant who is
35 currently licensed by the Arizona state board of accountancy OR WHO HAS A
36 LIMITED RECIPROCITY PRIVILEGE PURSUANT TO SECTION 32-725 and who is not an
37 employee of the city or town. Audits shall be made for each fiscal year for
38 all incorporated cities. Audits shall be made at least once for every two
39 fiscal years for all incorporated towns, and the audit shall include
40 financial transactions during both fiscal years.

41 B. The audit and the audit report shall include all of the accounts
42 and funds of the city or town, including operating, special, utility, debt,
43 trust and pension, and all other money or property for which the city or
44 town, or any department or officer of the city or town, is responsible either
45 directly or indirectly. The audits shall be made in accordance with

1 generally accepted auditing standards. The consequent audit report shall
2 contain financial statements that are in conformity with generally accepted
3 municipal accounting principles and shall set forth the financial position
4 and results of the operations for each fund and account of the city or town.
5 The audit report shall also include the following:

6 1. The professional opinion of the accountant or accountants with
7 respect to the financial statements or, if an opinion cannot be expressed, a
8 declaration of the reasons an opinion cannot be expressed.

9 2. A determination as to whether highway user revenue fund monies
10 received by the city or town pursuant to title 28, chapter 18, article 2 and
11 any other dedicated state transportation revenues received by the city or
12 town are being used solely for the authorized transportation purposes.

13 C. The audit shall begin as soon as possible after the close of the
14 fiscal year, although interim auditing may be performed during the year or
15 years under audit. The audit shall be completed and the final audit report
16 shall be submitted within six months after the close of the fiscal year or
17 years audited.

18 D. At least ~~four~~ THREE copies of the audit report shall be signed by
19 the auditor and filed with the city or town. The city or town shall
20 immediately do the following:

21 1. Make one copy of the report a public record that is open to the
22 public for inspection.

23 2. File one copy of the report with the auditor general pursuant to
24 section 41-1279.07, subsection C.

25 3. Submit one copy of the report to the secretary of state.

26 E. The financial statements required to be filed with the auditor
27 general pursuant to section 41-1279.07, including the audit report, must be
28 posted in a prominent location on the official website of the city or town no
29 later than seven business days after the date of filing the financial
30 statements with the auditor general. The financial statements must be
31 retained and accessible in a prominent location on the official website for
32 at least sixty months. If the financial statements are not filed pursuant to
33 section 41-1279.07, the form as prescribed by subsection F of this section
34 shall be posted on the website of the city or town in place of the financial
35 statements until the financial statements are filed.

36 F. If the financial statements for a city or town are not completed
37 and filed as prescribed by section 41-1279.07 on or before the adoption of
38 the city or town budget in the subsequent fiscal year, the governing body
39 shall include a form, as prescribed by the auditor general, in the published
40 budget in the subsequent fiscal year pursuant to sections 42-17103 and
41 42-17105 stating that the financial statements required to be filed with the
42 auditor general pursuant to section 41-1279.07 are pending, the reasons for
43 the delay and the estimated date of completion.

44 G. If the governing body of a city or town is required to complete the
45 form as prescribed by subsection F of this section, the governing body shall

1 send a copy of the form to the auditor general, the speaker of the house of
2 representatives and the president of the senate.

3 Sec. 3. Section 32-721, Arizona Revised Statutes, is amended to read:
4 32-721. Certified public accountants; qualifications

5 A. The board shall issue a certificate of certified public accountant
6 to any individual who complies with all of the following:

- 7 1. Meets the requirements of section 41-1080.
- 8 2. Is at least eighteen years of age.
- 9 3. Is of good moral character.

10 4. Has not engaged in any conduct that would constitute grounds for
11 revocation or suspension of a certificate or other disciplinary action
12 pursuant to section 32-741.

13 5. Meets the requirements of subsection B, C or D of this section.

14 B. If the applicant passes the uniform certified public accountant
15 examination and has never been certified, registered or licensed as a
16 certified public accountant in this state or another jurisdiction, the
17 applicant must comply with both of the following:

18 1. Have had at least two thousand hours of paid or unpaid experience,
19 either before or after passing all sections of the uniform certified public
20 accountant examination, that has exposed the applicant to and provided the
21 applicant with experience in the practice of accounting. The applicant's
22 experience must be sufficient to demonstrate the applicant's ability for
23 critical inquiry and analysis of financial accounting information, including
24 balance sheets, income statements, cash flow statements ~~and~~ OR tax returns
25 and the applicant's ability to communicate, either orally or in writing, on
26 the results of an inquiry or analysis of that information to an employer,
27 client or third party.

28 2. Present satisfactory evidence that the person has successfully
29 obtained a baccalaureate degree or higher degree from an accredited
30 institution or a college or university that maintains standards comparable to
31 those of an accredited institution and that the applicant has completed at
32 least one hundred fifty semester hours of education of which:

33 (a) At least thirty-six semester hours are nonduplicative accounting
34 courses of which at least thirty semester hours are upper-level courses.

35 (b) At least thirty semester hours are related courses.

36 C. If the applicant passes the uniform certified public accountant
37 examination or the international qualification examination and has a
38 certificate, registration or license to practice as a certified public
39 accountant in another jurisdiction and the applicant has never had a
40 certificate issued by the board expire or be relinquished or revoked, at
41 least one of the following shall apply:

42 1. The certificate, registration or license is issued by a
43 jurisdiction whose requirements are determined by the board to be
44 substantially equivalent to the requirements prescribed in subsection B of
45 this section.

1 2. The applicant has a baccalaureate degree or its equivalent or a
2 higher degree from an accredited institution or a college or university that
3 maintains standards comparable to those of an accredited institution and
4 either of the following applies:

5 (a) The applicant has been employed as a certified public accountant
6 in the practice of accounting for at least three years and has completed at
7 least one hundred fifty semester hours of education that includes both of the
8 following:

9 (i) At least twenty-four semester hours of nonduplicative accounting
10 courses, of which twelve semester hours are upper-level courses.

11 (ii) At least eighteen semester hours in related courses.

12 (b) The applicant has been employed as a certified public accountant
13 in the practice of accounting for at least five of the ten preceding years
14 and has completed both of the following:

15 (i) At least twenty-four semester hours of nonduplicative accounting
16 courses, of which twelve semester hours are upper-level courses.

17 (ii) At least eighteen semester hours in related courses.

18 3. The applicant has been employed as a certified public accountant in
19 the practice of accounting for at least ten of the fifteen preceding years.

20 D. If an applicant passes the international uniform certified public
21 accountant qualification examination of the American institute of certified
22 public accountants, all of the following apply:

23 1. The applicant's country has a mutual recognition agreement with the
24 national association of state boards of accountancy that has been adopted by
25 the board.

26 2. The board recognizes that the applicant's qualifications are
27 substantially equivalent to the qualifications of certified public
28 accountants in the United States in the areas of education, examination and
29 experience.

30 Sec. 4. Section 41-725, Arizona Revised Statutes, is amended to read:
31 41-725. Comprehensive database of receipts and expenditures of
32 state monies; local reporting; definition

33 A. The department shall establish and maintain an official internet
34 website that is electronically searchable by the public at no cost and that
35 contains a comprehensive database of receipts and expenditures of state
36 monies. The database shall include the information as prescribed in the
37 comprehensive annual financial report of a budget unit that has been made by
38 a certified public accountant or public accountant who is currently licensed
39 by the Arizona state board of accountancy **OR WHO HAS A LIMITED RECIPROCITY**
40 **PRIVILEGE PURSUANT TO SECTION 32-725** and who is not an employee of the
41 department. The report shall be made in accordance with generally accepted
42 auditing standards and shall contain financial statements that are in
43 conformity with generally accepted accounting principles. If the department
44 has a comprehensive annual financial report of a budget unit that has been
45 presented with a certificate of achievement for excellence in financial

1 reporting by the governmental finance officers association, the department
2 may post such a financial report to satisfy the requirements of this
3 subsection.

4 B. The department must present information in the database in a manner
5 that is intuitive to members of the general public, including graphical
6 representations. The database must allow users to:

7 1. Search and aggregate payments by individual budget units and
8 programs.

9 2. Search and aggregate payments by individual vendors, including the
10 total amount of state funding awarded by all budget units to individual
11 vendors.

12 3. Download information yielded by a search of the database.

13 4. Access electronic versions of contracts that relate to
14 expenditures.

15 C. The database shall include the following information:

16 1. Annual receipts of revenues, including:

17 (a) Receipts or deposits by each state budget unit into funds
18 established in the state treasury.

19 (b) Taxes.

20 (c) Earnings by each budget unit, including amounts collected for
21 merchandise sold, services performed and licenses, certifications and permits
22 issued.

23 (d) Revenue from the use of publicly owned money or property,
24 including leases and licenses.

25 (e) Gifts, donations and grants received, including amounts received
26 from the federal government.

27 (f) Any other type of public revenue, however denominated or derived,
28 deposited into the state treasury.

29 2. Annual expenditures and disbursements of state revenues by each
30 state budget unit from funds established in the state treasury, as
31 applicable, including:

32 (a) Bond payments, debt service and redemption charges and fees.

33 (b) Contractual services and cooperative agreements.

34 (c) Commodities.

35 (d) Capital outlay.

36 (e) Revenue sharing and other aid to other levels of government,
37 including tribal governments.

38 (f) Any other expenditure or disbursement of state revenue from the
39 state treasury, however denominated or structured.

40 D. Expenditure data shall list:

41 1. The manner of payment, including check or warrant or credit, debit
42 or other purchase card.

43 2. The funding source, including categorical codes and the state
44 accounts the expenditure is appropriated from.

- 1 3. A standardized descriptive title of the type and purpose of the
2 transaction.
- 3 4. The date and amount of each payment.
- 4 5. The state agency or budget unit making the payment.
- 5 6. The name of the person or entity receiving the payment, including
6 to the extent ~~practical~~ PRACTICABLE a parent entity of the recipient if the
7 recipient is owned by another entity.
- 8 7. The primary location of performance under the contract, including
9 the county, city or town and legislative district.
- 10 E. The database shall not include:
- 11 1. Tax payment or refund data that include confidential taxpayer
12 information.
- 13 2. Data relating to payments of state assistance to individual
14 recipients.
- 15 3. Payees' addresses or telephone numbers, but the department may
16 allow public access in the database to information identifying the county in
17 which the payee is located.
- 18 4. Work product in anticipation of litigation or information subject
19 to attorney-client privilege.
- 20 5. Any other information that is designated by law as confidential or
21 preapproved as confidential by the department pursuant to rule. The
22 department and any officer or employee of the department:
- 23 (a) May rely on a determination made by a budget unit regarding
24 confidentiality of information relating to the budget unit's expenditures.
- 25 (b) Are immune from civil liability for posting confidential
26 information under this section if the posting is in reliance on the budget
27 unit's determination relating to confidentiality.
- 28 F. Each budget unit shall cooperate with the department as necessary
29 to implement and administer this section. Each budget unit shall provide to
30 the department any additional data in a manner and schedule prescribed by the
31 department that are required to be included in the database. The database
32 shall be updated within thirty days after the end of each fiscal year and may
33 be updated as new data become available. The data shall be retained in the
34 database for at least ten full fiscal years.
- 35 G. The governor, secretary of state, state treasurer and legislature
36 shall include a link to the database under this section in their individual
37 official websites. Each budget unit that maintains a generally accessible
38 internet website, or for which a generally accessible website is maintained,
39 shall include a link on that website to the database under this section.
- 40 H. ~~On or before January 1, 2013,~~ Each local government shall establish
41 and maintain an official internet website that is accessible to the public at
42 no cost and that contains a comprehensive reporting of all revenues and
43 expenditures over five thousand dollars of local monies in as nearly as
44 practicable the same manner and consistent with ~~the provisions of~~ subsections
45 B through E OF THIS SECTION. The database shall include the information as

1 prescribed in the comprehensive annual financial report of a budget unit that
2 has been made by a certified public accountant or public accountant who is
3 currently licensed by the Arizona state board of accountancy OR WHO HAS A
4 LIMITED RECIPROcity PRIVILEGE PURSUANT TO SECTION 32-725 and who is not an
5 employee of the local government. The report shall be made in accordance
6 with generally accepted auditing standards and shall contain financial
7 statements that are in conformity with generally accepted accounting
8 principles. If a local government has a comprehensive annual financial
9 report of a budget unit that has been presented with a certificate of
10 achievement for excellence in financial reporting by the governmental finance
11 officers association, the local government may post such a financial report
12 to satisfy the requirements of this subsection. A link to this data shall be
13 displayed in a prominent place on the local government's official internet
14 website or on a website of an association of cities and towns for cities and
15 towns that do not have official websites and on the department's official
16 internet website as prescribed in this section. The data shall be updated no
17 less frequently than every three months and may be updated as new data
18 becomes available. The data shall be retained and accessible online for at
19 least three fiscal years.

20 I. For the purposes of this section "local government" means:

21 1. A county, city or town with a population of more than twenty-five
22 hundred persons.

23 2. Any community college district and school district having a student
24 count of more than six hundred pupils.

25 3. A state university.

26 Sec. 5. Section 41-1511, Arizona Revised Statutes, is amended to read:

27 41-1511. Renewable energy tax incentives; qualification;
28 definitions

29 A. Tax incentives are allowed for expanding or locating qualified
30 renewable energy operations in this state, including income tax credits
31 pursuant to sections 43-1083.01 and 43-1164.01 and property tax
32 classification pursuant to section 42-12006, paragraph 8.

33 B. To be eligible for the tax incentives, a renewable energy business
34 must apply to the authority, on a form prescribed by the authority, for
35 preapproval of the business as qualifying for the incentives. The
36 application must include:

37 1. The applicant's name, address, telephone number and federal
38 taxpayer identification number or numbers.

39 2. The name, address, telephone number and e-mail address of a contact
40 person for the applicant.

41 3. The address of the site where the qualifying renewable energy
42 operation will be located.

43 4. A detailed description of the qualifying renewable energy operation
44 and fixed capital assets.

1 5. An estimate of the capital investment and number of employment
2 positions at the qualifying renewable energy operation, including:

3 (a) A schedule of qualifying investments.

4 (b) A list of full-time employment positions, the estimated number of
5 employees to be hired for the positions each year during the first five years
6 of operation and the annual wages for each position, calculated without
7 employee-related benefits.

8 6. A nonrefundable processing fee in an amount determined by the
9 authority.

10 7. Other information as required by the authority to determine
11 eligibility for the tax incentives, and the amount of income tax credits, as
12 prescribed by this section.

13 8. An affirmation, signed by an authorized executive representing the
14 business, that the applicant:

15 (a) Agrees to furnish records of expenditures for qualifying
16 investments to the authority on request.

17 (b) Will continue in business at the qualifying renewable energy
18 operation for five full calendar years after postapproval for a tax
19 incentive, other than for reasons beyond the control of the applicant.

20 (c) Agrees to furnish to the authority information regarding the
21 amount of tax benefits claimed each year.

22 (d) Authorizes the department of revenue to provide tax information to
23 the authority pursuant to section 42-2003 for the purpose of determining any
24 inconsistency in information furnished by the applicant.

25 (e) Agrees to allow site visits and audits to verify the applicant's
26 continuing qualification and the accuracy of information submitted to the
27 authority.

28 (f) Consents to the adjustment or recapture of any amount of income
29 tax credit or property tax incentive due to noncompliance with this section.

30 9. Letters of good standing from the department of revenue and the
31 county treasurer of the county in which the project is located stating that
32 the applicant is in good standing and is not delinquent in the payment of
33 taxes.

34 C. To be eligible for the tax incentives, the applicant must make new
35 capital investment in this state after September 30, 2009 in a manufacturing
36 facility or headquarters facility or any combination of qualifying
37 facilities, as follows:

38 1. The applicant may qualify for income tax credits pursuant to
39 section 43-1083.01 or 43-1164.01, as applicable, if:

40 (a) At least fifty-one ~~per-cent~~ PERCENT of the net new full-time
41 employment positions at the renewable energy operation pay a wage that equals
42 or exceeds one hundred twenty-five ~~per-cent~~ PERCENT of the median annual wage
43 in this state, as determined by the most recent annual Arizona commerce
44 authority occupational wage and employment estimates issued before the
45 preapproval is issued pursuant to subsection I of this section.

1 (b) All net new full-time employment positions include health
2 insurance coverage for the employees for which the applicant pays at least
3 eighty ~~per-cent~~ PERCENT of the premium or membership cost.

4 2. The fixed capital assets shall be classified as class six for the
5 purposes of property taxation pursuant to section 42-12006, paragraph 8 if
6 the qualifying investment amounts to at least twenty-five million dollars, if
7 the applicant pays at least eighty ~~per-cent~~ PERCENT of the health insurance
8 costs or membership costs for all net new employees and if at least fifty-one
9 ~~per-cent~~ PERCENT of the net new full-time employment positions at the
10 qualifying renewable energy operation pay a wage that equals:

11 (a) At least one hundred twenty-five, but less than two hundred, ~~per~~
12 ~~cent~~ PERCENT of the median annual wage in this state, as determined by the
13 most recent annual Arizona commerce authority occupational wage and
14 employment estimates issued before the preapproval is issued pursuant to
15 subsection I of this section, the property may be classified as class six for
16 ten tax years.

17 (b) At least two hundred ~~per-cent~~ PERCENT of the median annual wage in
18 this state, as determined by the most recent annual Arizona commerce
19 authority occupational wage and employment estimates issued before the
20 preapproval is issued pursuant to subsection I of this section, the property
21 may be classified as class six for fifteen tax years.

22 D. Final eligibility for the tax incentives is subject to any
23 additional requirements prescribed by sections 42-12006, 43-1083.01 and
24 43-1164.01, as applicable.

25 E. An applicant may separately apply and qualify with respect to
26 investments for:

- 27 1. Renewable energy operations in separate locations.
- 28 2. Separate expansions of a renewable energy operation.

29 F. To determine the amount of income tax credit to be preapproved to a
30 qualifying applicant, the authority shall use one of the following
31 computations:

32 1. Ten ~~per-cent~~ PERCENT of the amount the applicant has projected in
33 total qualifying investment in renewable energy operations meeting the
34 following minimum employment requirements:

35 (a) For renewable energy manufacturing operations, at least one and
36 one-half new full-time employment positions projected by the applicant for
37 each five hundred thousand dollar increment of capital investment.

38 (b) For renewable energy business headquarters, at least one new
39 full-time employment position projected by the applicant for each two hundred
40 thousand dollar increment of capital investment.

41 2. For other qualifying renewable energy investment, ten ~~per-cent~~
42 PERCENT of the amount computed as follows:

43 (a) Five hundred thousand dollars for each one and one-half new
44 full-time employment positions projected by the applicant in new renewable
45 energy manufacturing operations.

1 (b) Two hundred thousand dollars for each new full-time employment
2 position projected by the applicant at a new renewable energy business
3 headquarters.

4 G. Beginning with income tax credits allocated for 2010, an approved
5 income tax credit:

6 1. Must be claimed on a timely filed original income tax return,
7 including extensions.

8 2. Must be claimed in five equal installments as provided in section
9 43-1083.01 or 43-1164.01.

10 H. The authority shall establish a process for qualifying and
11 preapproving applicants for the tax incentives. The authority shall not
12 preapprove an applicant as qualifying for tax incentives under this section
13 for taxable years beginning from and after December 31, 2019. Preapproval is
14 based on:

15 1. Priority placement established by the date that the applicant files
16 its initial application with the authority.

17 2. The availability of income tax credit capacity under the dollar
18 limit prescribed by subsection J of this section.

19 I. Within thirty days after receiving a complete and correct
20 application, the authority shall review the application to determine whether
21 the applicant satisfies all of the criteria prescribed by this section and
22 either preapprove the project as qualifying for the purposes of the tax
23 incentives or provide reasons for its denial. The authority shall send
24 copies of the preapproval to the department of revenue and the applicable
25 county assessor.

26 J. The authority shall not preapprove income tax credits under this
27 section and section 41-1512 that combined would exceed seventy million
28 dollars in any calendar year, except as provided by this subsection and
29 subsection K of this section. The authority shall not preapprove income tax
30 credits under this section for any one taxpayer in excess of thirty million
31 dollars in any calendar year. A preapproved amount applies against the
32 dollar limit for the year in which the application was submitted regardless
33 of whether the initial preapproval period extends into the following year or
34 years. If, at the end of any year, an unused balance occurs under the dollar
35 limit prescribed by this subsection:

36 1. The balance shall be allocated to businesses that successfully
37 appeal the denial of approval under this section or section 41-1512. Any
38 amount of income tax credits due to successful appeals that are not paid from
39 an unused balance at the end of any year shall be paid against the dollar
40 limit in the following year.

41 2. Any remaining unused balance accruing through December 31, 2011
42 shall be reallocated for the purposes of this section and section 41-1512 in
43 the following year.

44 3. Any remaining unused balance accruing in 2012 and thereafter lapses
45 and shall not be reallocated in the following year.

1 K. The authority shall reallocate the amount of income tax credits
2 that are voluntarily relinquished under subsection L of this section, that
3 lapse under subsection M of this section or that lapse under subsection P of
4 this section. The reallocation shall be to other businesses that applied
5 under this section or section 41-1512 in the original credit year based on
6 priority placement. Once reallocated, the amount of the credit applies
7 against the dollar limit of the original credit year regardless of the year
8 in which the reallocation occurs.

9 L. A taxpayer may voluntarily relinquish unused credit amounts.

10 M. Preapproval under this section lapses, the application is void and
11 the amount of the preapproved income tax credits does not apply against the
12 dollar limit prescribed by subsection J of this section if, within twelve
13 months after preapproval, the renewable energy business fails to provide to
14 the authority documentation of its expenditure of two hundred fifty thousand
15 dollars in qualifying investment or, if the period over which the qualifying
16 investment will be made exceeds twelve months, documentation of additional
17 expenditures as required in this subsection for each twelve month period.

18 N. Beginning in 2010, after October 31 of each year, if the authority
19 has preapproved the maximum calendar year income tax credit amount pursuant
20 to subsection J of this section, the authority may accept initial
21 applications for the next calendar year, but the preapproval of any
22 application pursuant to this subsection shall not be effective before the
23 first business day of the following calendar year.

24 O. Before an applicant applies for postapproval under subsection P of
25 this section, the applicant must enter into a written managed review
26 agreement with the chief executive officer of the authority that establishes
27 the requirements of a managed review to be conducted under this subsection at
28 the applicant's expense. The managed review must be conducted by a certified
29 public accountant who is selected by the applicant, who is licensed in this
30 state [OR WHO HAS A LIMITED RECIPROCITY PRIVILEGE PURSUANT TO SECTION 32-725](#)
31 and who is approved by the chief executive officer. The certified public
32 accountant and the firm the certified public accountant is affiliated with
33 shall not regularly perform services for the applicant or its affiliates.
34 The managed review shall include an analysis of the applicant's invoices,
35 checks, accounting records and other documents and information to verify its
36 base investment and other requirements prescribed by section 42-12006,
37 43-1083.01 or 43-1164.01 to confirm the amount of credit or property tax
38 incentive. The certified public accountant shall furnish written findings of
39 the managed review to the chief executive officer. The chief executive
40 officer shall review the findings and may examine records and perform other
41 reviews that the chief executive officer considers necessary to verify that
42 the managed review substantially conforms to the terms of the managed review
43 agreement. The chief executive officer shall accept or reject the findings
44 of the managed review. If the chief executive officer rejects all or part of

1 the managed review, the chief executive officer shall provide written reasons
2 for the rejection.

3 P. When the renewable energy operation begins operations, a renewable
4 energy business that was preapproved for income tax credits under this
5 section shall apply to the authority in writing for postapproval of the
6 credits and submit documentation certifying the total amount and dates of the
7 qualifying investments and identifying the fixed capital assets associated
8 with the renewable energy operation incurred from and after September 30,
9 2009 through the date of application for postapproval. From and after
10 December 31, 2009, the authority shall provide postapproval to a renewable
11 energy business that it has met the eligibility requirements of this section
12 and shall notify the department of revenue that the renewable energy business
13 may claim the tax credits pursuant to section 43-1083.01 or 43-1164.01. If
14 the amount of qualifying investment actually spent is less than the amount
15 preapproved for income tax credits, the preapproved amount not incurred
16 lapses and does not apply against the dollar limit prescribed by subsection J
17 of this section for that year. The authority shall not allow a credit under
18 section 43-1083.01 or 43-1164.01 that exceeds the amount of the postapproval
19 for the project under this subsection. For the purposes of this subsection,
20 "begins operations" means:

21 1. A headquarters facility opens for public business.

22 2. A manufacturing facility begins producing commercial quantities of
23 usable products.

24 Q. The authority may rescind the business' postapproval if the
25 business no longer meets the terms and conditions required for qualifying for
26 the tax incentives. The authority may give special consideration, or allow
27 temporary exemption from recapture of tax benefits, in the case of
28 extraordinary hardship due to factors beyond the control of the qualifying
29 business.

30 R. If the authority rescinds an applicant's preapproval or
31 postapproval under subsection Q of this section, it shall notify the
32 department of revenue and the county assessor of the action and the
33 conditions of noncompliance. If the department of revenue obtains
34 information indicating a possible failure to qualify and comply, it shall
35 provide that information to the authority. The department of revenue may
36 require the business to file appropriate amended tax returns reflecting any
37 recapture of income tax credits under section 43-1083.01 or 43-1164.01.

38 S. Preapproval and postapproval of a business for the purposes of tax
39 incentives under this section do not constitute or imply compliance with any
40 other provision of law or any regulatory rule, order, procedure, permit or
41 other measure required by law. To maintain qualification for tax incentives
42 under this section, a business must separately comply with all environmental,
43 employment and other regulatory measures.

44 T. For five years after postapproval for tax incentives under this
45 section, in any action involving the liquidation of the business assets or

1 relocation out of state, this state claims the position of a secured creditor
2 of the business in the amount of income tax credits and property tax
3 incentives the business received pursuant to section 42-12006, 43-1083.01 or
4 43-1164.01.

5 U. Any information gathered from a renewable energy business for the
6 purposes of this section is considered to be confidential taxpayer
7 information and shall be disclosed only as provided in section 42-2003,
8 subsection B, paragraph 12, except that the authority shall publish the
9 following information in its annual report:

10 1. The name of each renewable energy business and the amount of income
11 tax credits preapproved for each qualifying investment.

12 2. The amount of credits postapproved with respect to each qualifying
13 investment.

14 V. The authority shall:

15 1. Keep annual records of the information provided on applications for
16 renewable energy businesses. These records shall reflect a percentage
17 comparison of the annual amount of monies exempted or credited to qualifying
18 renewable energy businesses to the estimated amount of monies spent in this
19 state in the form of qualifying investments.

20 2. Maintain annual data on growth in this state of renewable energy
21 businesses and industry employment and wages.

22 3. Not later than April 30 of each year, prepare and publish a report
23 summarizing the information collected pursuant to this subsection. The
24 authority shall make copies of the annual report available to the public on
25 request.

26 W. The authority shall adopt rules and prescribe forms and procedures
27 as necessary for the purposes of this section. The authority and the
28 department of revenue shall collaborate in adopting rules as necessary to
29 avoid duplication and inconsistencies while accomplishing the intent and
30 purposes of this section.

31 X. For the purposes of this section:

32 1. "Capital investment" means an expenditure to acquire, lease or
33 improve property that is used in operating a business, including land,
34 buildings, machinery and fixtures.

35 2. "Headquarters" means a principal central administrative office
36 where primary headquarters related functions and services are performed,
37 including financial, personnel, administrative, legal, planning and similar
38 business functions.

39 3. "Manufacturing" means fabricating, producing or manufacturing raw
40 or prepared materials into usable products, imparting new forms, qualities,
41 properties and combinations. Manufacturing does not include generating
42 electricity for off-site consumption.

43 4. "Primarily engaged" means that more than fifty ~~per cent~~ PERCENT of
44 a company's business activity at a particular facility directly involves

1 renewable energy operations, measured by revenues received, expenses
2 incurred, square footage or the number of individuals employed.

3 5. "Qualifying investment" means investment in land, buildings,
4 machinery and fixtures for expansion of an existing renewable energy
5 operation or establishment of a new renewable energy operation in this state
6 after September 30, 2009. Qualifying investment does not include relocating
7 an existing renewable energy operation in this state to another location in
8 this state without additional capital investment of at least two hundred
9 fifty thousand dollars.

10 6. "Qualifying renewable energy operation" means the facility where a
11 qualifying investment was made.

12 7. "Renewable energy" means usable energy, including electricity,
13 fuels, gas and heat, produced through the conversion of energy provided by
14 sunlight, water, wind, geothermal, heat, biomass, biogas, landfill gas or
15 other nonfossil renewable resource.

16 8. "Renewable energy business" means a person primarily engaged in the
17 business of renewable energy manufacturing operations or renewable energy
18 headquarters operations.

19 9. "Renewable energy operations" are limited to manufacturers of, and
20 headquarters for, systems and components that are used or useful in
21 manufacturing renewable energy equipment for the generation, storage, testing
22 and research and development, transmission or distribution of electricity
23 from renewable resources, including specialized crates necessary to package
24 the renewable energy equipment manufactured at the qualifying renewable
25 energy operation.

26 10. "Renewable energy resource" means a resource that is replaced by
27 natural and assisted processes at a rate that is comparable to or faster than
28 the rate of natural depletion and consumption by humans.

29 Sec. 6. Section 41-1512, Arizona Revised Statutes, is amended to read:
30 41-1512. Qualified facility income tax credits: qualification:
31 definitions

32 A. For taxable years beginning from and after December 31, 2012,
33 income tax credits are allowed for expanding or locating a qualified facility
34 in this state pursuant to sections 43-1083.03 and 43-1164.04. Only capital
35 investments in a qualified facility that are made on or after July 1, 2012
36 are included in the computation of the credit.

37 B. To be eligible for the income tax credits, a taxpayer must apply to
38 the authority, on a form prescribed by the authority, for preapproval of the
39 business as qualifying for the credits. The application must include:

40 1. The applicant's name, address, telephone number and federal
41 taxpayer identification number or numbers.

42 2. The name, address, telephone number and e-mail address of a contact
43 person for the applicant.

44 3. The address of the site where the qualified facility will be
45 located.

- 1 4. A detailed description of the qualified facility and fixed capital
2 assets.
- 3 5. An estimate of the capital investment and number of employment
4 positions at the qualified facility, including:
- 5 (a) A schedule of qualifying investments.
- 6 (b) A list of full-time employment positions, the estimated number of
7 employees to be hired for the positions each year during the first five years
8 of operation and the annual wages for each position, calculated without
9 employee-related benefits.
- 10 6. A nonrefundable processing fee in an amount determined by the
11 authority.
- 12 7. Other information as required by the authority to determine
13 eligibility for the income tax credits and the amount of income tax credits,
14 as prescribed by this section.
- 15 8. An affirmation, signed by an authorized executive representing the
16 business, that the applicant:
- 17 (a) Agrees to furnish records of expenditures for qualifying
18 investments to the authority on request.
- 19 (b) Will continue in business at the qualified facility for five full
20 calendar years after postapproval for the credit, other than for reasons
21 beyond the control of the applicant.
- 22 (c) Agrees to furnish to the authority information regarding the
23 amount of income tax credits claimed each year.
- 24 (d) Authorizes the department of revenue to provide tax information to
25 the authority pursuant to section 42-2003 for the purpose of determining any
26 inconsistency in information furnished by the applicant.
- 27 (e) Agrees to allow site visits and audits to verify the applicant's
28 continuing qualification and the accuracy of information submitted to the
29 authority.
- 30 (f) Consents to the adjustment or recapture of any amount of income
31 tax credit due to noncompliance with this section.
- 32 9. Letters of good standing from the department of revenue stating
33 that the applicant is not delinquent in the payment of taxes.
- 34 C. The applicant may qualify for the income tax credits pursuant to
35 section 43-1083.03 or 43-1164.04, as applicable, if:
- 36 1. The applicant makes new capital investment in this state after June
37 30, 2012 in a qualified facility that is completed in a taxable year
38 beginning from and after December 31, 2012.
- 39 2. At least fifty-one ~~per cent~~ PERCENT of the net new full-time
40 employment positions at the qualified facility pay a wage that equals or
41 exceeds one hundred twenty-five ~~per cent~~ PERCENT of the median annual wage in
42 this state, as determined by the most recent annual Arizona commerce
43 authority occupational wage and employment estimates issued before the
44 preapproval is issued pursuant to subsection I of this section.

1 3. All net new full-time employment positions include health insurance
2 coverage for the employees for which the applicant pays at least eighty ~~per~~
3 ~~cent~~ PERCENT of the premium or membership cost.

4 D. Final eligibility for an income tax credit is subject to any
5 additional requirements prescribed by section 43-1083.03 or 43-1164.04, as
6 applicable.

7 E. An applicant may separately apply and qualify with respect to
8 investments for separate expansions of a qualified facility.

9 F. The amount of the income tax credit to be preapproved by the
10 authority to a qualifying applicant is ten ~~per-cent~~ PERCENT of the lesser of:

11 1. The amount the applicant has projected in total qualifying
12 investment in the qualified facility.

13 2. Two hundred thousand dollars for each net new full-time employment
14 position projected by the applicant at a qualified facility.

15 G. Beginning with income tax credits allocated for 2013, an approved
16 credit:

17 1. Must be claimed on a timely filed original income tax return,
18 including extensions.

19 2. Must be claimed in five equal installments as provided by section
20 43-1083.03 or 43-1164.04.

21 H. The authority shall establish a process for qualifying and
22 preapproving applicants for the income tax credits. The authority shall not
23 preapprove applicants as qualifying for credits under this section for any
24 taxable year beginning from and after December 31, 2019. Preapproval is
25 based on:

26 1. Priority placement established by the date that the applicant files
27 its initial application with the authority.

28 2. The availability of income tax credit capacity under the dollar
29 limit prescribed by section 41-1511, subsection J.

30 I. Within thirty days after receiving a complete and correct
31 application, the authority shall review the application to determine whether
32 the applicant satisfies all of the criteria prescribed by this section and
33 either preapprove the project as qualifying for the purposes of an income tax
34 credit or provide reasons for its denial. The authority shall send copies of
35 each preapproval to the department of revenue.

36 J. The authority shall not preapprove income tax credits under this
37 section and section 41-1511 that combined would exceed the limits prescribed
38 by section 41-1511, subsection J. A preapproved amount applies against the
39 dollar limit for the year in which the application was submitted regardless
40 of whether the initial preapproval period extends into the following year or
41 years. A business shall not be preapproved for credits under both this
42 section and section 41-1511 for the same capital investment. The authority
43 shall not preapprove income tax credits under this section for any taxpayer
44 in excess of thirty million dollars in any calendar year.

1 K. The authority shall reallocate the amount of income tax credits
2 that are voluntarily relinquished under subsection L of this section, that
3 lapse under subsection M of this section or that lapse under subsection P of
4 this section. The reallocation shall be to other businesses that applied
5 under this section or section 41-1511 in the original credit year based on
6 priority placement. Once reallocated, the amount of the credit applies
7 against the dollar limit of the original credit year regardless of the year
8 in which the reallocation occurs.

9 L. A taxpayer may voluntarily relinquish unused credit amounts in
10 writing to the authority.

11 M. Preapproval under this section lapses, the application is void and
12 the amount of the preapproved income tax credits does not apply against the
13 dollar limit prescribed by section 41-1511, subsection J if, within twelve
14 months after preapproval, the business fails to provide to the authority
15 documentation of its expenditure of two hundred fifty thousand dollars in
16 qualifying investment or, if the period over which the qualifying investment
17 will be made exceeds twelve months, documentation of additional expenditures
18 as required in this subsection for each twelve-month period.

19 N. After October 31 of each year, if the authority has preapproved the
20 maximum calendar year income tax credit amount pursuant to section 41-1511,
21 subsection J, the authority may accept initial applications for the next
22 calendar year, but the preapproval of any application pursuant to this
23 subsection shall not be effective before the first business day of the
24 following calendar year.

25 O. Before an applicant applies for postapproval under subsection P of
26 this section, the applicant must enter into a written managed review
27 agreement with the chief executive officer of the authority that establishes
28 the requirements of a managed review to be conducted under this subsection at
29 the applicant's expense. The managed review must be conducted by a certified
30 public accountant who is selected by the applicant, who is licensed in this
31 state OR WHO HAS A LIMITED RECIPROCITY PRIVILEGE PURSUANT TO SECTION 32-725
32 and who is approved by the chief executive officer. The certified public
33 accountant and the firm the certified public accountant is affiliated with
34 shall not regularly perform services for the applicant or its affiliates.
35 The managed review shall include an analysis of the applicant's invoices,
36 checks, accounting records and other documents and information to verify its
37 base investment and other requirements prescribed by section 43-1083.03 or
38 43-1164.04 to confirm the amount of credit. The certified public accountant
39 shall furnish written findings of the managed review to the chief executive
40 officer. The chief executive officer shall review the findings and may
41 examine records and perform other reviews that the chief executive officer
42 considers necessary to verify that the managed review substantially conforms
43 to the terms of the managed review agreement. The chief executive officer
44 shall accept or reject the findings of the managed review. If the chief

1 executive officer rejects all or part of the managed review, the chief
2 executive officer shall provide written reasons for the rejection.

3 P. When the qualified facility begins operations, a business that was
4 preapproved for income tax credits under this section shall apply to the
5 authority in writing for postapproval of the credits and submit documentation
6 certifying the total amount and dates of the qualifying investments and
7 identifying the fixed capital assets associated with the qualified facility
8 incurred after June 30, 2012 through the date of application for
9 postapproval. For taxable years beginning from and after December 31, 2012,
10 the authority shall provide postapproval to a business that has met the
11 eligibility requirements of this section and shall notify the department of
12 revenue that the business may claim an income tax credit pursuant to section
13 43-1083.03 or 43-1164.04. If the amount of qualifying investment actually
14 spent is less than the amount preapproved for income tax credits, the
15 preapproved amount not incurred lapses and does not apply against the dollar
16 limit prescribed by section 41-1511, subsection J for that year. The
17 department of revenue shall not allow an income tax credit under section
18 43-1083.03 or 43-1164.04 that exceeds the amount of the postapproval for the
19 project under this subsection. For the purposes of this subsection, "begins
20 operations" means the qualified facility opens for public business.

21 Q. The authority may rescind an applicant's postapproval if the
22 business no longer meets the terms and conditions required for qualifying for
23 the credit. The authority may give special consideration, or allow temporary
24 exemption from recapture of the credit, in the case of extraordinary hardship
25 due to factors beyond the control of the qualifying business.

26 R. If the authority rescinds an applicant's preapproval or
27 postapproval under subsection Q of this section, it shall notify the
28 department of revenue of the action and the conditions of noncompliance. If
29 the department of revenue obtains information indicating a possible failure
30 to qualify and comply, it shall provide that information to the authority.
31 The department of revenue may require the business to file appropriate
32 amended tax returns reflecting any recapture of the credit under section
33 43-1083.03 or 43-1164.04.

34 S. Preapproval and postapproval of an applicant for the purposes of
35 income tax credits under this section do not constitute or imply compliance
36 with any other provision of law or any regulatory rule, order, procedure,
37 permit or other measure required by law. To maintain qualification for a
38 credit under this section, a business must separately comply with all
39 environmental, employment and other regulatory measures.

40 T. For five years after postapproval of an income tax credit under
41 this section, in any action involving the liquidation of the business assets
42 or relocation out of state, this state claims the position of a secured
43 creditor of the business in the amount of the credit the business received
44 pursuant to section 43-1083.03 or 43-1164.04. The transfer of part or all of

1 a company's assets that are then leased back by the company is not considered
2 a liquidation under this section.

3 U. Any information gathered from a business for the purposes of this
4 section is considered to be confidential taxpayer information and shall be
5 disclosed only as provided in section 42-2003, subsection B, paragraph 12,
6 except that the authority shall publish the following information in its
7 annual report:

8 1. The name of each business and the amount of income tax credits
9 preapproved for each qualifying investment.

10 2. The amount of income tax credits postapproved with respect to each
11 qualifying investment.

12 V. The authority shall:

13 1. Keep annual records of the information provided on applications for
14 qualified facilities. These records shall reflect a percentage comparison of
15 the annual amount of monies credited to qualified facilities to the estimated
16 amount of monies spent in this state in the form of qualifying investments.

17 2. Maintain annual data on growth in this state of qualified
18 facilities and related employment and wages.

19 3. Not later than April 30 following each calendar year, prepare and
20 publish a report summarizing the information collected pursuant to this
21 subsection. The authority shall make copies of the annual report available
22 to the public on request.

23 W. The authority shall adopt rules and prescribe forms and procedures
24 as necessary for the purposes of this section. The authority and the
25 department of revenue shall collaborate in adopting rules as necessary to
26 avoid duplication and inconsistencies while accomplishing the intent and
27 purposes of this section.

28 X. For the purposes of this section:

29 1. "Capital investment" means an expenditure to acquire, lease or
30 improve property that is used in operating a business, including land,
31 buildings, machinery, equipment and fixtures.

32 2. "Facility" means a single parcel or contiguous parcels of owned or
33 leased land in this state, the structures and personal property contained on
34 the land or any part of the structures occupied by the owner. Parcels that
35 are separated only by a public thoroughfare or right-of-way are considered to
36 be contiguous.

37 3. "Headquarters" means a principal central administrative office
38 where primary headquarters related functions and services are performed,
39 including financial, personnel, administrative, legal, planning and similar
40 business functions.

41 4. "Manufacturing" means fabricating, producing or manufacturing raw
42 or prepared materials into usable products, imparting new forms, qualities,
43 properties and combinations. Manufacturing does not include generating
44 electricity.

1 5. "Qualified facility" means a facility in this state that devotes at
2 least eighty ~~per-cent~~ PERCENT of the property and payroll at the facility to
3 one or more of the following:

- 4 (a) Qualified manufacturing.
- 5 (b) Qualified headquarters.
- 6 (c) Qualified research.

7 6. "Qualified headquarters" means a global, national or regional
8 headquarters for a taxpayer that is involved in manufacturing and that
9 derives at least sixty-five ~~per-cent~~ PERCENT of its revenue from out-of-state
10 sales.

11 7. "Qualified manufacturing" means manufacturing tangible products in
12 this state if at least sixty-five ~~per-cent~~ PERCENT of the product will be
13 sold out-of-state.

14 8. "Qualified research" has the same meaning prescribed by section
15 41(d) of the internal revenue code, as defined by section 43-105, except that
16 the research must be conducted by a taxpayer involved in manufacturing that
17 derives at least sixty-five ~~per-cent~~ PERCENT of its revenue from out-of-state
18 sales.

19 9. "Qualifying investment" means investment in land, buildings,
20 machinery, equipment and fixtures for expansion of an existing qualified
21 facility or establishment of a new qualified facility in this state after
22 June 30, 2012 for a facility completed in a taxable year beginning from and
23 after December 31, 2012. Qualifying investment does not include relocating
24 an existing qualified facility in this state to another location in this
25 state without additional capital investment of at least two hundred fifty
26 thousand dollars.

27 Sec. 7. Section 43-1507, Arizona Revised Statutes, is amended to read:
28 43-1507. Audits and financial reviews

29 A. On or before September 30 of each year, each school tuition
30 organization that received one million dollars or more in total donations in
31 the previous fiscal year shall provide for a financial audit of the
32 organization. The audit must be conducted in accordance with generally
33 accepted auditing standards and must evaluate the organization's compliance
34 with section 43-1503, subsection B, paragraph 1. The audit must be conducted
35 by an independent certified public accountant WHO IS licensed in this state
36 OR WHO HAS A LIMITED RECIPROCITY PRIVILEGE PURSUANT TO SECTION 32-725. The
37 certified public accountant and the firm the certified public accountant is
38 affiliated with shall be independent with respect to the organization, its
39 officers and directors, services performed and all other independent
40 relationships prescribed by generally accepted auditing standards.

41 B. On or before September 30 of each year, each school tuition
42 organization that received less than one million dollars in total donations
43 in the previous fiscal year shall provide for a financial review of the
44 organization. The review must be conducted in accordance with standards for
45 accounting and review services and must evaluate the organization's

1 compliance with the fiscal requirements of this article. The review must be
2 conducted by an independent certified public accountant WHO IS licensed in
3 this state OR WHO HAS A LIMITED RECIPROCITY PRIVILEGE PURSUANT TO SECTION
4 32-725. The certified public accountant and the firm the certified public
5 accountant is affiliated with shall be independent with respect to the
6 organization, its officers and directors, services performed and all other
7 independent relationships prescribed by generally accepted auditing
8 standards.

9 C. Within five days after receiving the audit or financial review, the
10 school tuition organization shall file a signed copy of the audit or
11 financial review with the department.

12 D. The school tuition organization shall pay the fees and costs of the
13 certified public accountant under this section from the organization's
14 operating monies. The fees and costs shall be excluded from the calculation
15 of total revenues spent on scholarships and tuition grants.

16 Sec. 8. Section 43-1605, Arizona Revised Statutes, is amended to read:
17 43-1605. Audits and financial reviews

18 A. On or before September 30 of each year, each school tuition
19 organization that received one million dollars or more in total donations in
20 the previous fiscal year shall provide for a financial audit of the
21 organization. The audit must be conducted in accordance with generally
22 accepted auditing standards and must evaluate the organization's compliance
23 with section 43-1603, subsection B, paragraph 1. The audit must be conducted
24 by an independent certified public accountant WHO IS licensed in this state
25 OR WHO HAS A LIMITED RECIPROCITY PRIVILEGE PURSUANT TO SECTION 32-725. The
26 certified public accountant and the firm the certified public accountant is
27 affiliated with shall be independent with respect to the organization, its
28 officers and directors, services performed and all other independent
29 relationships prescribed by generally accepted auditing standards.

30 B. On or before September 30 of each year, each school tuition
31 organization that received less than one million dollars in total donations
32 in the previous fiscal year shall provide for a financial review of the
33 organization. The review must be conducted in accordance with standards for
34 accounting and review services and must evaluate the organization's
35 compliance with the fiscal requirements of this article. The review must be
36 conducted by an independent certified public accountant WHO IS licensed in
37 this state OR WHO HAS A LIMITED RECIPROCITY PRIVILEGE PURSUANT TO SECTION
38 32-725. The certified public accountant and the firm the certified public
39 accountant is affiliated with shall be independent with respect to the
40 organization, its officers and directors, services performed and all other
41 independent relationships prescribed by generally accepted auditing
42 standards.

43 C. Within five days after receiving the audit or financial review the
44 school tuition organization shall file a signed copy of the audit or
45 financial review with the department.

1 D. The school tuition organization shall pay the fees and costs of the
2 certified public accountant under this section from the organization's
3 operating monies. The fees and costs shall be excluded from the calculation
4 of total revenues spent on scholarships and tuition grants.

APPROVED BY THE GOVERNOR MARCH 14, 2016.

FILED IN THE OFFICE OF THE SECRETARY OF STATE MARCH 15, 2016.